

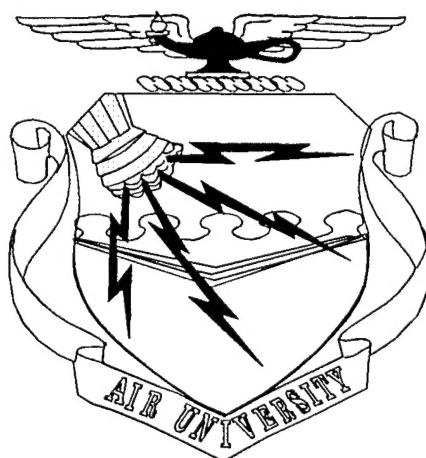
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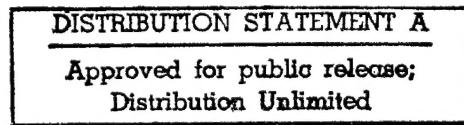
**PROCESS IMPROVEMENT -
INTRA/INTERSERVICE SUPPORT
AGREEMENTS**

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**Class
95-D-49**



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Agreements (ISAs)

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EXECUTIVE SUMMARY

Eighth United States Army (EUSA) receives over \$33 million annually for administrative and logistical support provided to approximately 130 customers. Intra/Interservice Support Agreements (ISAs) document support services. Suppliers and receivers do not participate in the negotiation process. Lack of interaction adversely impacts both the supplier and receiver. They are not aware of specific receiver requirements, supplier capabilities and are not afforded the opportunity to discuss associated costs. Supplier and receiver involvement would ensure a better end product with more accurate costs. Also, analysts use varying cost methodologies when developing the ISAs. These methodologies are not consistently applied. Proper staffing at EUSA would improve consistency and accuracy of costs. They should validate cost and manpower requirements. EUSA should review legal issues such as hazardous waste disposal and fire protection to alleviate legal ramifications. Lastly, EUSA should develop regulatory guidance and training to bridge the gap between the budgeting and ISA processes to ensure program success.

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INTRODUCTION

Eighth United States Army (EUSA) provides support to over 130 customers. Support is provided on a recurring basis and, therefore documented on Intra/Interservice Support Agreements (ISAs). The estimated reimbursable value of these ISAs equates to well over \$33 million for the command. Therefore, it is imperative that proper mechanisms be in place to recoup reimbursement for these services. There are some problems with the current ISA processes and procedures that can be corrected.

I will address some of these problems and provide recommendations such as the negotiation process. I will explain how the lack of supplier and receiver interaction adversely impacts the process. Additionally, the inadequacy of cost analysis performed at all levels will be discussed as well as the impacts of improper staffing. Finally, current regulatory guidance and training issues will be addressed.

DISCUSSION

The current negotiation process for the preparation of ISAs within EUSA precludes supplier and receiver interaction. Headquarters, EUSA develops and/or negotiates the vast majority of ISAs. The ISAs are developed based on customer requirements. Historical data and information received from the customer are used to determine costs associated with requirements. Cost factors are applied in accordance with EUSA Cost Factors Guide. Completed ISAs are sent to 19th TAACOM, Assistant Chief of Staff, Resource Management for appropriate staffing. 19th TAACOM forwards the proposed ISA to the supplying activity. The supplying activity ensures they have the capability to provide customer required support, and determine if the associated dollar values provided by EUSA are accurate and reflect appropriate levels of service. There are some inherent problems with the lack of supplier and receiver interaction in the negotiation process.

The supplier and receiver do not have the opportunity to discuss responsibilities and how services will be provided if they are not involved in the negotiation process. This lack of interaction causes many problems, i.e., what is expected versus what is actually received by the supplier and receiver. In comparison, try to imagine putting a new addition onto your present home. The contractor completes all the necessary modifications and provides you with a huge bill after the work has been completed. How would you react? I do not believe many individuals would enter into a contract without having all responsibilities defined. However, that is what we do *every time* we complete an ISA without interaction between the supplier and receiver.

Normally, one analyst at EUSA negotiates and/or develops the ISA. They use “boiler plate” supplier and receiver responsibilities which do not reflect specific requirements, define levels of service or provide realistic associated costs.

In-depth cost analysis is not performed by EUSA analysts when they develop the ISA. They do not ensure costs are commensurate with the levels of service. This leads to many problems at the lower levels. Support groups are hesitant to refute cost data provided by EUSA. Many of the Korean Nationals feel that headquarters cost data “must” be correct. However, it is apparent that analysts developing the ISAs do not review actual historical data to compare trends or ensure they are uniformly applying cost methodology. As an example, one analyst uses “population served” to calculate estimates and the other uses “square footage” for the same category of support. They do not perform comparative cost analyses to determine what is being charged among the other services (i.e., Air Force). Some of these inconsistencies and lack of cost analyses would be reduced or completely eliminated if the ISA were staffed through EUSA Budget prior to staffing at 19th TAACOM.

Also, the support groups should perform in-depth cost analysis. This would ensure proper reimbursement for provided services. One way to do this would be to appoint an ad hoc team and/or special study group to perform an audit on the ISAs. For example, trained analysts would compare cost estimates on the ISAs to actual receipts. The analysts should go on-site to the support provider and request records on what they have actually received versus what was estimated for every category of support code in the ISA.

We performed an audit and found that one support group did not charge for any service orders or maintenance and repair for an entire housing complex. This simple procedure would ensure support groups understand how and what to charge. This change would net some *high dollars* for the command with a minimum of effort.

EUSA should properly staff the ISAs in order to ensure a high yield for the command. Presently, EUSA does not staff the ISAs through EUSA Budget, Manpower or Legal Offices prior to staffing at 19th TAACOM. Involvement of these offices would ensure costs are properly calculated, manpower requirements are validated (i.e., food service), and legal issues reviewed. The EUSA Budget Office should provide the necessary historical cost data to reflect accurate cost data on new or modified ISAs. The Manpower office should review each ISA to validate associated manpower requirements. New or modified ISAs have not identified manpower requirements since September 1993. Manpower requirements were documented on ISAs prior to that time. Additionally, the Legal Office should review each and every ISA to ensure there are no pending legal issues. Many legal issues go unnoticed until there is a problem. For example, who is responsible (and at what levels) for hazardous wastes, fire protection, medical, and facilities maintenance/repair? Current "boiler-plate" receiver and supplier responsibilities under the categories of support do not cover these areas in sufficient detail. One of the reasons they are not covered in detail is due to a lack of clear regulatory guidance.

Current regulatory guidance does not clearly specify responsibilities and/or processes and procedures. The governing regulation, DOD 4000.19 is currently under revision. However, the draft does not appear to go into any more detail than the old regulation. Perhaps when the new

regulation is released, EUSA can develop a supplement to give definitive guidance on staffing, cost calculation methodology, etc. Regulatory guidance should specify that Army Management Structure (AMS) codes be properly identified and assigned on the ISA to ensure support groups can monitor actual reimbursements. The category codes reflected in the ISA currently do not coincide with AMS code structures. This makes it virtually impossible to track and monitor costs. Other guidance, in the form of training courses are very helpful.

The training course, Defense Regional Interservice Support Agreement (DRIS), was provided in Korea approximately April 1995. The support groups were very enthusiastic about attending the training. We had over forty personnel apply and attend the DRIS course. Training should be provided on a yearly basis to ISA coordinators, housing personnel, food service or any other personnel who need to understand *how* and *when* to charge customers.

CONCLUSION

Since EUSA receives over \$33 million annually for reimbursable services, it needs to ensure proper reimbursement for those services. There are some problems in the current ISA process which can be easily corrected with minimal manpower and effort. These changes will help ensure maximum reimbursement.

One of the problems is the lack of supplier and receiver interaction during the ISA negotiation process. By encouraging interaction, both the supplier and receiver will have a greater understanding of the services that are required, provider capabilities, as well as gain an understanding of the associated costs. By ensuring the associated costs are calculated properly, all parties will have more confidence in the entire ISA process. It would also ensure costs are commensurate with the levels of service.

Additionally, if the ISAs are properly staffed through EUSA Budget, Manpower and Legal Offices, many problems associated with costs and legal issues will be eliminated. EUSA Budget office would verify cost data is accurate and reflective of levels of service. The Manpower office would validate manpower requirements, and the Legal Office would ensure there were no legal improprieties prior to the actual signing of the ISA.

Finally, clear and concise regulatory guidance is needed throughout the command. Clear and concise guidance will bridge the gap between the budget and ISA process. AMS code structures should match the ISA categories of support to identify proper reimbursements. When new guidance is developed, additional personnel training should be provided. This would ensure all personnel are knowledgeable and proficient in their jobs.

Ultimately, the changes I have recommended to the current ISA processes and procedures will help EUSA receive proper reimbursement for provided services. It will net some *high dollars* for the command with a minimum of effort. These changes will enable EUSA to substantiate manpower and budgetary requirements for the command. These changes will ensure more accurate costing and better communication between the services, while placing increased emphasis on ISA process improvement.

RECOMMENDATIONS

Request the following recommendations be implemented by Eighth United States Army, Assistant Chief of Staff, Resource Management:

1. Recommend a round-table discussion be used to develop the ISAs. Suppliers and receivers should discuss services and reimbursement procedures during the development phase. It is important to have the functional experts “talk” about specific requirements and capabilities for each of the support categories and to agree on realistic costs.
2. Ensure in-depth cost analysis be performed at EUSA and support groups:
 - a. EUSA should compare every category to make sure like-services are properly categorized as reimbursable or non-reimbursable in accordance with regulatory guidance and are consistent across services.
 - b. EUSA should ensure accuracy of cost calculations and timely review of ISAs.
3. Recommend in-depth analysis at each support group to ensure proper reimbursement. Ad hoc team members and/or special study group (Internal Review or an independent study group) should perform an audit. The analysts should take the ISA and go on-site to the providers of support. Analysts should request records of actual charges by category code. This would really net some ***high dollars*** for the command.

4. Ensure proper staffing through EUSA Budget, Manpower and Legal Office subsequent to staffing at 19th TAACOM.

5. Develop appropriate regulatory guidance and ensure yearly DRIS training:

a. The ISA should identify proper AMS Codes. This has to be accomplished to ensure support groups can properly monitor actual reimbursements.

b. Recommend at a minimum yearly DRIS course training for all personnel to include ISA coordinators, housing personnel, food service personnel, and anyone else who needs to understand *when* and *how* to charge customers.